

Message Text

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DAVID O. BEIM, EXECUTIVE VICE PRESIDENT

ARA/APU: RCFELDER

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: APUB, AR

SUBJECT: PRESS RELEASE ON EXIMBANK CREDIT TO ARGENTINA

FOR YOUR INFORMATION ONLY, FOLLOWING IS FINAL TEXT OF EXPORT-IMPORT BANK RELEASE ON THE DIRECT CREDIT OF \$9 MILLION TO ACINDAR INDUSTRIA ARGENTINA DE ACEROS S.A.(ACINDAR), OF ARGENTINE. RELEASE IS SCHEDULED FOR ANNOUNCEMENT HERE IN WASHINGTON, D.C. FOR A.M. PAPERS, WEDNESDAY, AUGUST 13, 1975.

QUOTE: EXIMBANK CREDIT OF \$9 MILLION SUPPORTS \$20 MILLION SALE OF U.S. STEEL PLANT EQUIPMENT TO ARGENTINE COMPANY TO HELP FINANCE A \$20 MILLION SALE OF U.S. EQUIPMENT AND SERVICES REQUIRED FOR AN IRON ORE REDUCTION PLANT, THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES HAS AUTHORIZED A DIRECT CREDIT OF \$9 MILLION TO ACINDAR INDUSTRIA ARGENTINA DE ACEROS S.A. (ACINDAR), OF ARGENTINE. ACINDAR IS UNDERTAKING A LARGE EXPANSION AND MODERNIZATION PROGRAM OF ITS EXISTING FACILITIES IN ORDER TO INCREASE UNCLASSIFIED

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PRODUCTION OF STEEL AND STEEL PRODUCTS FOR THE ARGENTINE MARKET. THE COMPANY WILL BE ABLE TO LOWER THE COST OF PRODUCING STEEL BY ELIMINATING THE NECESSITY FOR USING SCRAP WHICH IS EXPENSIVE AND IN SHORT SUPPLY, AND SUBSTITUTING INSTEAD, ORE AVAILABLE

FROM OTHER COUNTRIES IN SOUTH AMERICA.

THE PRINCIPAL U.S. COSTS ARE FOR A 600,000 MT/YR. DIRECT REDUCTION FURNACE DEPARTMENT TO BE PURCHASED FROM MIDREX COMPANY OF CHARLOTTE, NORTH CAROLINA. BOYNTON ENGINEERS, INC., OF CHICAGO, ILLINOIS, WILL PROVIDE ENGINEERING SERVICES AND ACT AS CONSULTING ENGINEERS IN THE SELECTION OF EQUIPMENT AND WILL ASSIST IN SUPERVISING CONSTRUCTION OF THE FACILITIES.

EXIMBANK HAS HAD GOOD EXPERIENCE WITH ACINDAR OVER THE PAST 15 YEARS. CHAIRMAN WILLIAM J. CASEY POINTED OUT THE POSSIBILITY OF FOLLOW-ON BUSINESS WITH ACINDAR AND OTHER ARGENTINE STEEL PRODUCERS AND STEEL FINISHERS AS THEY EXPAND AND MODERNIZE THEIR PLANTS.

EXIMBANK'S CREDIT WILL FINANCE 45 PERCENT OF THE TOTAL U.S. COSTS. A CREDIT OF \$8 MILLION FROM PRIVATE SOURCES NOT YET DESIGNATED WILL FINANCE 40 PERCENT OF THE U.S. COSTS; OF WHICH \$4 MILLION WILL BE COVERED BY EXIMBANK'S FINANCIAL GUARANTEE. ACINDAR WILL MAKE CASH PAYMENT OF 15 PERCENT REPRESENTING THE BALANCE OF THE U.S. COSTS.

INTEREST ON EXIMBANK'S CREDIT IS TO BE AT THE RATE OF 8 PERCENT PER ANNUM. THIS RATE, COMBINED WITH THE ESTIMATED INTEREST FROM PRIVATE SOURCES, WHICH IS BASED ON CURRENT RATES, WILL RESULT IN A BLENDED ANNUAL INTEREST COST TO THE BORROWER OF 8.83 PERCENT TO 9.08 PERCENT PER ANNUM.

THE LOANS ARE TO BE REPAYED IN 20 SEMIANNUAL INSTALLMENTS BEGINNING OCTOBER 5, 1979, WITH EXIMBANK'S LOAN TO BE REPAYED OUT OF A PORTION OF THE 10TH INSTALLMENT AND ALL OF INSTALLMENTS 11 THROUGH 20. REPAYMENT OF EXIMBANK'S LOAN IS TO BE GUARANTEED BY BANCO NACIONAL DE DESARROLLO.
UNQUOTE KISSINGER

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